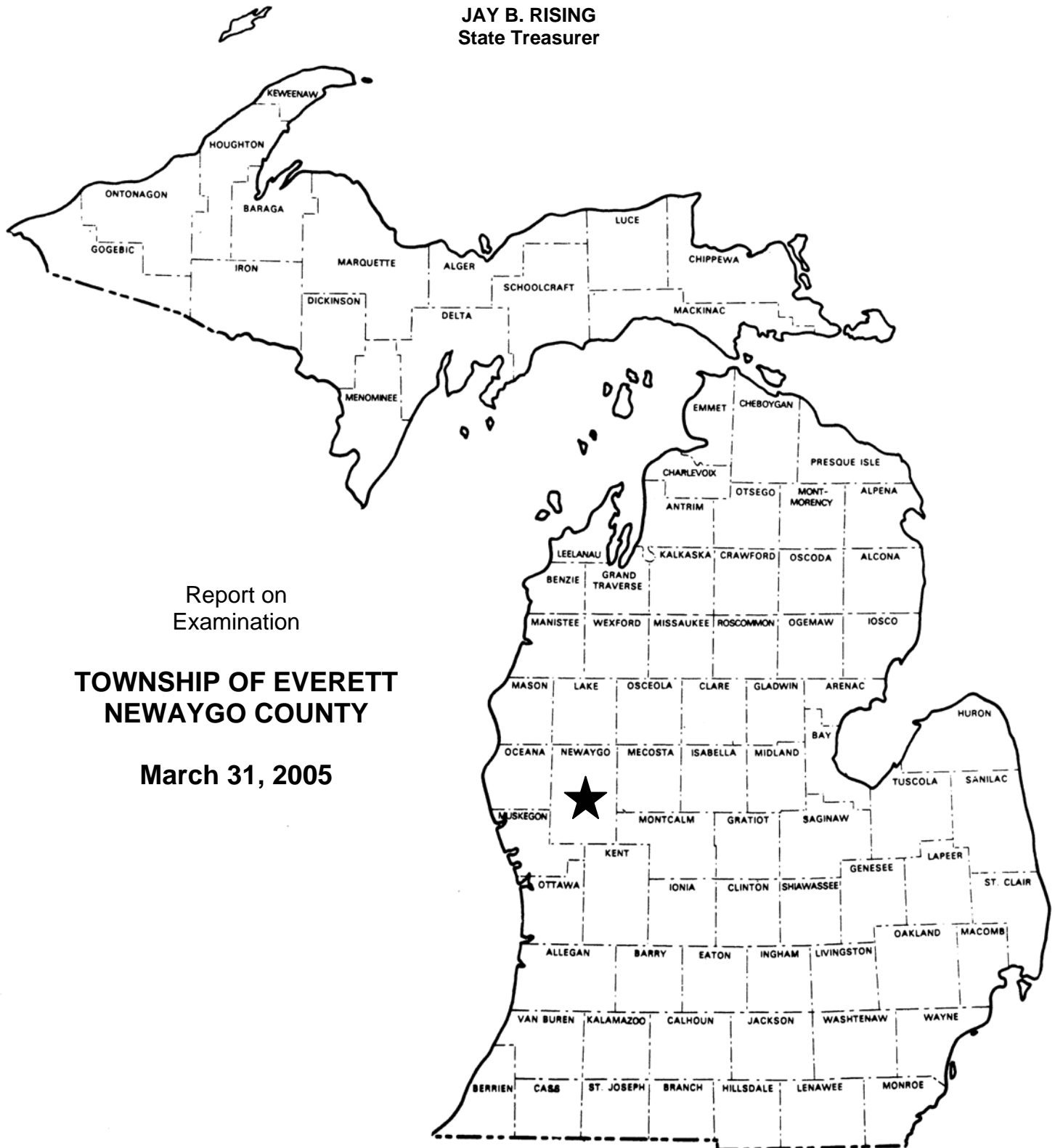


**STATE OF MICHIGAN**  
JENNIFER M. GRANHOLM, Governor  
**DEPARTMENT OF TREASURY**

JAY B. RISING  
State Treasurer



Report on  
Examination

**TOWNSHIP OF EVERETT  
NEWAYGO COUNTY**

**March 31, 2005**

Local Audit and Finance Division  
Bureau of Local Government Services

TOWNSHIP OF EVERETT  
NEWAYGO COUNTY

BOARD OF COMMISSIONER

Georgia Burns  
Supervisor

Donald Clary  
Trustee

Gloria Reyes  
Trustee

Margie Green  
Clerk

Janice Parrish  
Treasurer

TOWNSHIP POPULATION--2000  
1,985

STATE EQUALIZED VALUATION--2004  
\$53,907,500



JENNIFER M. GRANHOLM  
GOVERNOR

STATE OF MICHIGAN  
DEPARTMENT OF TREASURY  
LANSING

JAY B. RISING  
STATE TREASURER

July 14, 2005

Township Board  
Everett Township  
Newaygo County  
P.O. Box 979  
White Cloud, Michigan 49349

Independent Auditor's Report

Dear Board Members:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Everett Township, Newaygo County, Michigan, as of and for the year ended March 31, 2005, which collectively comprise the township's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of Everett Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As described in Note J, Everett Township adopted the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 33, "Accounting and Financial Reporting for Nonexchange Transactions," as amended by GASB Statement No. 36, "Recipient Reporting for Certain Shared Nonexchange Revenues;" GASB Statement No. 34, "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments," as amended by GASB Statement No. 37, "Basic Financial Statements and Management's Discussion and Analysis," and GASB Statement No. 38, "Certain Financial Statement Note Disclosures;" and Interpretation No. 6, "Recognition and Measurement of Certain Liabilities and Expenditures," as of April 1, 2004.

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major

fund, and the aggregate remaining fund information of Everett Township, as of March 31, 2005 and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated July 13, 2005, on our consideration of Everett Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis on pages 1 through 4 and the Budgetary Comparisons for Major Funds in Exhibits G through J are not a required part of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries to management regarding the methods of measurements and the presentation of supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Everett Township's basic financial statements. The accompanying supplementary information and schedules as listed in the table of contents, are presented for the purposes of additional analysis and are not a required part of the basic financial statements. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements, taken as a whole.



Cary Jay Vaughn, CPA, CGFM  
Audit Manager  
Local Audit and Finance Division

EVERETT TOWNSHIP--NEWAYGO COUNTY

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**EVERETT TOWNSHIP--NEWAYGO COUNTY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**Using this Annual Report**

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of Everett Township, as a whole, and present a longer-term view of the township's finances. Fund financial statements tell how these services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the township's operations in more detail than the government-wide financial statements.

**The Township as a Whole**

The township's combined net assets increased from a year ago as the township now has adopted the provisions of GASB No. 34 and capital assets are included in the net asset total. The governmental activities experienced an increase of \$158,648 in net assets during the year. This was the result of continued strength in our property value growth and a donation of land for our park system. In a condensed format, the table below shows the net assets as of the current date:

Because this is the first year of implementation of Governmental Accounting Standards Board Statement No. 34, which requires this new reporting model, the following tables presents only current year data. In future years, when prior year information is available, comparative analysis of township data will be presented.

	<u>2005</u>
Current Assets	\$ 485,871
Noncurrent Assets	<u>174,270</u>
Total Assets	<u>660,141</u>
Total Liabilities	<u>47,068</u>
Net Assets	
Invested in Capital Assets	174,270
Restricted	
Municipal Street	171,601
Fire	38
Parks and Recreation	50,889
Nonmajor Special Revenue	12,188
Unrestricted (Deficit)	<u>204,087</u>
Total Net Assets	<u><u>\$ 613,073</u></u>

Unrestricted net assets--the part of net assets that can be used to finance day to day operations of the General Fund, slightly increased with the growth of the township's tax base.

**EVERETT TOWNSHIP--NEWAYGO COUNTY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

The following table shows the changes of the net assets as of the current date:

	<u>2005</u>
Program Revenues	
Charges for Services	\$ 23,557
Operating Grants and Contributions	53,771
General Revenues	
Property Taxes	192,362
State-Shared Revenues	155,837
Unrestricted Investment Earnings	2,375
Other Revenue	<u>37</u>
Total Revenues	<u>427,939</u>
Program Expenses	
General Government	106,606
Public Safety	53,421
Public Works	72,508
Community and Economic Development	18,874
Recreational and Cultural	5,359
Other	<u>12,523</u>
Total Expenses	<u>269,291</u>
Change in Net Assets	<u><u>\$ 158,648</u></u>

The township's net assets continue to remain healthy. With new residents moving in, the total revenues grew slightly faster than inflation while we were able to hold down expenses. As a result, net assets grew by \$158,648.



**EVERETT TOWNSHIP--NEWAYGO COUNTY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**Governmental Activities**

The following table shows the changes in fund balance as of the current date:

	2003	2005	Amount Difference	Percent Difference
Revenues				
Taxes and Penalties	\$ 164,840	\$ 192,362	\$ 27,522	17%
Licenses and Permits	180	175	(5)	-3%
State Grants	167,137	158,499	(8,638)	-5%
Contributions From Local Units	1,500		(1,500)	-100%
Charges for Services	14,444	20,430	5,986	41%
Interest and Rentals	6,696	5,327	(1,369)	-20%
Other Revenue	419	51,146	50,727	12107%
Total Revenues	<u>355,216</u>	<u>427,939</u>	<u>72,723</u>	<u>20%</u>
Expenses				
General Government	86,613	99,581	12,968	15%
Public Safety	44,731	53,421	8,690	19%
Public Works	271,401	72,082	(199,319)	-73%
Community and Economic Development	18,128	18,874	746	4%
Recreation and Cultural	2,536	5,318	2,782	110%
Other	12,858	12,523	(335)	-3%
Capital Outlay	15,262	54,152	38,890	255%
Total Expenses	<u>451,529</u>	<u>315,951</u>	<u>(135,578)</u>	<u>-30%</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>(96,313)</u>	<u>111,988</u>	<u>208,301</u>	<u>-216%</u>
Fund Balance--April 1	<u>471,368</u>	<u>326,815</u>	<u>(144,553)</u>	<u>-31%</u>
Fund Balance--March 31	<u>\$ 375,055</u>	<u>\$ 438,803</u>	<u>\$ 63,748</u>	<u>17%</u>

The township's total governmental revenues increased \$72,723, primarily due to the continuing increase in property values.

Expenditures decreased \$135,578 during the year. This was primarily the result of doing a major road project in 2003.

**EVERETT TOWNSHIP--NEWAYGO COUNTY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**The Township's Funds**

Our analysis of the township's major funds begins on page 7, following the entity wide financial statements. The fund financial statements provide detailed information about the most significant funds, not the township as a whole. The township board creates funds to help manage money for specific purposes as well as to show accountability for certain activities, such as special property tax millages. The township's major funds for 2005 include the General Fund, the Municipal Street Fund, the Fire Fund, and the Parks and Recreation Fund.

The General Fund pays for most of the township's governmental services which is the most significant expense totaling approximately \$125,164 in 2005. The governmental services are partially supported by operating millages and State revenue sharing. The other significant services are public works and public safety which are supported primarily by extra voted millages and are included in the Municipal Street Fund and Fire Fund.

**General Fund Budgetary Highlights**

Everett Township received additional revenue this year as the township began receiving funds for renting space for a cell phone tower. Additional funds were also received for the road fund due to the new Metro Act passed by the State. The park fund's revenues and expenses increased as the township received a donation of land for a new township park, which was also recorded as capital outlay.

**Capital Asset and Debt Administration**

At the end of 2005, the township had \$174,270 invested in a broad range of capital assets, including buildings, fire and office equipment, land, and vehicles. In addition, the township has invested significantly in roads within the township. These assets are not reported in the township's financial statements because of Michigan law, which makes these roads the property of the Newaygo County Road Commission (along with the responsibility to maintain them).

**Economic Factors and Next Year's Budgets and Rates**

Because of the impact of Proposal A, the township needs to continue to watch its budget very closely. Our State revenue sharing has steadily declined in the past few years and is expected to continue to decline. There is also an increase in insurance rates and a steady decline in interest rates.

**Contacting the Township's Management**

This financial report is intended to provide our citizens, taxpayers, customers and investors with a general overview of the township's finances and to show the township's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the clerk's office.

**EVERETT TOWNSHIP--NEWAYGO COUNTY**  
**GOVERNMENT-WIDE STATEMENT**  
**OF NET ASSETS**  
**March 31, 2005**

**EXHIBIT A**

	<u>Governmental Activities</u>
<b><u>ASSETS</u></b>	
Current Assets	
Cash and Cash Equivalents	\$ 420,613
Receivables	
Taxes--Delinquent	35,305
Accounts	382
Due From Other Governmental Units	1,913
Due From State	22,605
Prepaid Expenses	<u>5,053</u>
Total Current Assets	<u>485,871</u>
Noncurrent Assets	
Capital Assets--Net of Accumulated Depreciation	<u>174,270</u>
Total Noncurrent Assets	<u>174,270</u>
Total Assets	<u><u>\$ 660,141</u></u>
<b><u>LIABILITIES AND NET ASSETS</u></b>	
Current Liabilities	
Accounts Payable	\$ 574
Due to Other Townships	1,579
Due to Other Units of Government	41,633
Accrued Liabilities	<u>3,282</u>
Total Current Liabilities	<u>47,068</u>
Total Noncurrent Liabilities	<u>-</u>
Total Liabilities	<u>47,068</u>
Net Assets	
Investment in Capital Assets	174,270
Restricted for	
Municipal Street	171,601
Fire	38
Parks and Recreation	50,889
Nonmajor Special Revenue	12,188
Unrestricted	<u>204,087</u>
Total Net Assets	<u><u>\$ 613,073</u></u>

**The Notes to Financial Statements are an integral part of this statement.**

**EVERETT TOWNSHIP--NEWAYGO COUNTY**  
**GOVERNMENT-WIDE STATEMENT OF ACTIVITIES**  
**For the Year Ended March 31, 2005**

**EXHIBIT B**

<u>Functions/Programs</u>	<u>PROGRAM REVENUES</u>			<u>NET (EXPENSE)</u> <u>REVENUE AND</u> <u>CHANGES IN</u> <u>NET ASSETS</u>
	Expenses	Charges for Services	Operating Grants and Contributions	Total
Primary Government				
Governmental Activities				
General Government	\$106,606	\$ 7,032		\$ (99,574)
Public Safety	53,421			(53,421)
Public Works	72,508	13,823	2,662	(56,023)
Community and Economic Development	18,874	975		(17,899)
Recreation and Culture	5,359	1,727	51,109	47,477
Other	12,523			(12,523)
Total Governmental Activities	<u>\$269,291</u>	<u>\$ 23,557</u>	<u>\$53,771</u>	<u>\$(191,963)</u>
General Revenues				
Property Taxes				\$ 192,362
State-Shared Revenues				155,837
Unrestricted Investment Earnings				2,375
Other				<u>37</u>
Total General Revenues--Special Items and Transfers				<u>350,611</u>
Change in Net Assets				158,648
Net Assets--Beginning				<u>454,425</u>
Net Assets--Ending				<u>\$ 613,073</u>

**The Notes to Financial Statements are an integral part of this statement.**

**EVERETT TOWNSHIP--NEWAYGO COUNTY**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**March 31, 2005**

**EXHIBIT C**

	General	Municipal Street	Fire	Parks and Recreation	Non-Major Governmental Funds	Total Governmental Funds
<b><u>ASSETS</u></b>						
Cash and Cash Equivalents	\$171,813	\$ 184,784	\$ 38	\$52,164	\$11,814	\$420,613
Receivables						
Taxes--Delinquent	5,276	18,967	9,483		1,579	35,305
Accounts	382					382
Due From Other Funds	1,223					1,223
Due From State	22,605					22,605
Due From Other Units of Government	1,913					1,913
Prepaid Expenses	4,624				429	5,053
Total Assets	\$207,836	\$ 203,751	\$9,521	\$52,164	\$13,822	\$487,094
<b><u>LIABILITIES AND FUND BALANCE</u></b>						
Liabilities						
Accounts Payable	\$ 522			\$ 52		\$ 574
Due to Other Funds				1,223		1,223
Due to Other Townships					\$ 1,579	1,579
Due to Other Units of Government		\$ 32,150	\$9,483			41,633
Accrued Liabilities	3,227				55	3,282
Total Liabilities	3,749	32,150	9,483	1,275	1,634	48,291
Fund Balances						
Unreserved--Undesignated	204,087	171,601	38	50,889	12,188	438,803
Total Fund Balance	204,087	171,601	38	50,889	12,188	438,803
Total Liabilities and Fund Balance	\$207,836	\$ 203,751	\$9,521	\$52,164	\$13,822	

Amounts reported for governmental activities in the Statement of Net Assets are different because:

Capital assets used in governmental activities are not financial resources and are not reported in the funds	174,270
Net Assets of Governmental Activities	\$ 613,073

**The Notes to Financial Statements are an integral part of this statement.**

**EVERETT TOWNSHIP--NEWAYGO COUNTY**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**For the Year Ended March 31, 2005**

**EXHIBIT D**

	General	Municipal Street	Fire	Parks and Recreation	Non-Major Governmental Funds	Total Governmental Funds
Revenues						
Taxes and Penalties	\$ 30,085	\$102,497	\$51,245		\$ 8,535	\$ 192,362
Licenses and Permits	175					175
State Grants	155,837	2,662				158,499
Charges for Services	4,880			\$ 1,727	13,823	20,430
Interest and Rentals	5,327					5,327
Other Revenue	37			51,109		51,146
Total Revenues	196,341	105,159	51,245	52,836	22,358	427,939
Expenditures						
Current						
General Government	91,046				8,535	99,581
Public Safety	2,176		51,245			53,421
Public Works	293	51,303			20,486	72,082
Community and Economic Development	18,874					18,874
Recreation and Cultural				5,318		5,318
Other	12,523					12,523
Capital Outlay	252			52,233	1,667	54,152
Total Expenditures	125,164	51,303	51,245	57,551	30,688	315,951
Excess of Revenues Over (Under) Expenditures	71,177	53,856	-	(4,715)	(8,330)	111,988
Other Financing Sources (Uses)						
Interfund Transfers In		50,000		20,000	10,000	80,000
Interfund Transfers (Out)	(80,000)					(80,000)
Total Other Financing Sources (Uses)	(80,000)	50,000	-	20,000	10,000	-
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(8,823)	103,856	-	15,285	1,670	111,988
Fund Balance--April 1, 2004	212,910	67,745	38	35,604	10,518	326,815
Fund Balance--March 31, 2005	\$204,087	\$171,601	\$ 38	\$50,889	\$12,188	\$438,803
Excess of Revenue over Other Sources Over (Under) Expenditures and Other Uses						\$ 111,988
Amounts reported for governmental activities in the Statement of Activities are different because:						
Governmental funds report capital outlays as expenditures (\$54,152); in the Statement of Activities, these costs are allocated over their estimated useful lives as depreciation (\$7,492)						46,660
Change in Net Assets of Governmental Activities						\$ 158,648

**The Notes to Financial Statements are an integral part of this statement.**

**EVERETT TOWNSHIP--NEWAYGO COUNTY**  
**STATEMENT OF NET ASSETS**  
**FIDUCIARY FUNDS**  
**March 31, 2005**

**EXHIBIT E**

	<u>Agency Funds</u>	<u>Pension Trust Fund</u>
<b><u>ASSETS</u></b>		
Cash	<u>\$ 3,287</u>	<u>\$ 26,200</u>
Total Assets	<u><u>\$ 3,287</u></u>	<u><u>26,200</u></u>
<b><u>LIABILITIES</u></b>		
Liabilities		
Due to State of Michigan	<u>3,287</u>	
Total Liabilities	<u><u>\$ 3,287</u></u>	<u><u>-</u></u>
<b><u>NET ASSETS</u></b>		
Held in Trust for Pension Benefits		<u><u>\$ 26,200</u></u>

**The Notes to the Financial Statements are an integral part of this statement.**

**EVERETT TOWNSHIP--NEWAYGO COUNTY**  
**STATEMENT OF CHANGES IN NET ASSETS**  
**FIDUCIARY FUNDS**  
**For the Year Ended March 31, 2005**

**EXHIBIT F**

	Pension Trust Fund
<b><u>ADDITIONS</u></b>	
Contributions	
Employer	\$ 7,238
Total Contributions	<u>7,238</u>
Investment Income	
Interest	<u>777</u>
Total Investment Income	<u>777</u>
Total Additions	<u>8,015</u>
<b><u>DEDUCTIONS</u></b>	
Deductions	
Benefit Payments	(1,842)
Administrative Expenses	(121)
Other Deductions	<u>(334)</u>
Total Deductions	<u>(2,297)</u>
Change in Net Assets	5,718
Net Assets--Beginning of the Year	<u>20,482</u>
Net Assets--End of the Year	<u><u>\$ 26,200</u></u>

**The Notes to the Financial Statements are an integral part of this statement.**



## EVERETT TOWNSHIP--NEWAYGO COUNTY

### NOTES TO FINANCIAL STATEMENTS

#### NOTE A--REPORTING ENTITY

Everett Township is located in Newaygo County and provides services to its residents in many areas including fire protection, community enrichment and development, and human services. Everett Township is a general law township governed by a 5-member board elected by the citizens of Everett Township. The township board consists of the supervisor, clerk, treasurer and two trustees whom reside in the community.

In accordance with generally accepted accounting principles and Governmental Accounting Standards Board (GASB) Statement No. 14, "The Financial Reporting Entity," these financial statements present the township. The criteria established by GASB for determining the reporting entity includes oversight responsibility, fiscal dependency, and whether the financial statements would be misleading if data were not included. There are no other units that should be included in the financial statements.

The following entities are not included in the township's financial statements, but do represent an ongoing financial interest or responsibility:

#### JOINT VENTURES

White Cloud Area Fire Department--Everett Township, in conjunction with four other local units of government (Sherman Township, Wilcox Township, Lincoln Township, and the City of White Cloud) have entered into an agreement to create the White Cloud Area Fire Department to provide fire protection services. The joint fire administrative board is composed of 11 members, of which each unit appoints two (2) members and the one additional "at-large" member is selected by a majority of the other members. The joint fire administrative board prepares an annual operating budget, which is approved by a simple majority and submitted to the participating municipalities for appropriation. If there is a deficit and the budget stabilization fund is exhausted, each participating municipality will be requested to make an additional voluntary contribution to make up the deficit. Everett Township's financial responsibility is to contribute on an annual basis, a sum equal to 1.5 mills of the aggregate taxable value of real and personal property. For the year ended, the township's contribution was \$51,245. A separate audit is conducted on the White Cloud Area Fire Department.

Chain of Lakes Area Utility Authority--Everett Township, Brooks Township, Garfield Township, City of Newaygo, and Newaygo County have entered into an agreement in 2002 to establish the Chain of Lakes Area Utility Authority to provide sewer services for the residents living in the Chain of Lakes area. The joint authority's board consists of seven (7) members of whom each township appoints two (2) members and the county drain commissioner serves as the chairperson. Newaygo County has issued a 20-year bond in the amount of \$6,915,000 to pay costs of acquiring and constructing the sewer facilities. The bonds are to be repaid by the authority based on contributions made from each of the townships. The contributions are based on the percentage of service provided in each township and is prorated as follows: Brooks Township -- 30.57%, Everett Township -- 11.51%, and Garfield Township -- 57.92%.

## EVERETT TOWNSHIP--NEWAYGO COUNTY

### NOTES TO FINANCIAL STATEMENTS

#### NOTE A--REPORTING ENTITY (Continued)

Everett Township has levied a special assessment in the amount of \$636,800 divided into 20 equal annual installments over 20 years to pay for its portion of the project. The sewer authority will collect sewer fees from the residents it serves to cover the operational costs, however, if a deficit exists after these charges are collected, each participating municipality will be requested to make an additional contribution based on the above percentages to make up the deficit. A separate audit is conducted of the Chain of Lakes Area Utility Authority.

#### JOINTLY GOVERNED ORGANIZATIONS

Joint Cemetery Board--Everett Township and Big Prairie Township have entered into an agreement to create a joint cemetery board. The cemetery's board consists of the full board of both townships. The township's financial responsibility is to contribute on an annual basis, a sum equal to .25 mills of the aggregate taxable value of taxable real and personal property. Both townships share equally in the cost of operations. For the year ended, the townships' contributions were \$8,535.

#### Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all of the nonfiduciary activities of the township. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

## EVERETT TOWNSHIP--NEWAYGO COUNTY

### NOTES TO FINANCIAL STATEMENTS

#### NOTE A--REPORTING ENTITY (Continued)

##### Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized when it is both measurable and available. Revenues are considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

Revenues are recognized in the accounting period in which they become susceptible to accrual, that is, when they become both measurable and available to finance expenditures of the fiscal period. Property taxes, intergovernmental revenue, charges for services and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period.

The township reports the following major governmental funds:

The General Fund is the township's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Municipal Street Fund accounts for the township millage revenue is reserved for the road improvements of the township.

Fire Fund accounts for the township millage revenue is reserved for the operation of the fire department.

Parks and Recreation Fund accounts for the charges for services is for the operation of the township's parks.

Additionally, the township reports the following fund type:

Agency Funds--These funds account for assets held on behalf of outside parties, including other governments.

## EVERETT TOWNSHIP--NEWAYGO COUNTY

### NOTES TO FINANCIAL STATEMENTS

#### NOTE A--REPORTING ENTITY (Continued)

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenues include: 1) charges to customers or applicants for goods, services, or privileges provided; 2) operating grants and contributions; and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

When both restricted and unrestricted resources are available for use, it is the township's policy to use restricted first, then unrestricted resources as they are needed.

#### Deposits and Investments

The cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less from the date of acquisition.

Investments are stated at fair value and short-term investments are reported at cost, which approximates fair value. Earnings from investments are allocated to numerous funds as required by Federal regulations, State statutes, and local ordinances.

#### Receivables and Payables

Transactions between funds that are representative of lending/borrowing arrangements, outstanding at the end of the fiscal year, are referred to as either "interfund receivables/payables" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

#### Capital Assets

Capital assets, which include property, plant, equipment, infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the governmental column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$500 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

# EVERETT TOWNSHIP--NEWAYGO COUNTY

## NOTES TO FINANCIAL STATEMENTS

### NOTE A--REPORTING ENTITY (Continued)

Property, plant and equipment is depreciated using the straight-line method over the following useful lives:

Building	20 to 40 years
Equipment	3 to 10 years
Furnitures and Fixtures	5 to 10 years

### NOTE B--STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

#### Budgets and Budgetary Accounting

Budgets are adopted by the township board for the general and special revenue funds. The budget basis of accounting does not differ significantly from the modified accrual basis used to reflect actual revenues and expenditures for these funds. The budget is adopted at the activity level and control is exercised at the activity level. The township board monitors and amends the budgets as necessary. Unexpended appropriations lapse at year end.

The budgeted revenues and expenditures for governmental fund types, as presented in Exhibits G, H, I and J for the major funds, include the original adopted budget and any authorized amendments to the original budget.

#### Excess of Expenditures over Appropriations in Budgeted Funds

Public Act 2 of 1968, as amended, requires the legislative body to adopt a general appropriations act for the budget of the General Fund and each special revenue fund. The act also requires that amendments be approved as needed to prevent actual expenditures from exceeding those provided for in the General Appropriations Act. During the year ended March 31, 2005, expenditures were incurred in excess of the final amended budgets for the following funds and activities:

	Final Amended Budget	Actual	Variance
General			
Zoning Administrator	\$ 10,502	\$ 10,723	\$ (221)
Fire			
Public Safety	44,600	51,245	(6,645)
Parks and Recreation			
Capital Outlay		52,233	(52,233)
Cemetery			
General Government	7,400	8,535	(1,135)

EVERETT TOWNSHIP--NEWAYGO COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE C--CASH AND INVESTMENTS

Michigan Compiled Laws, Section 129.91, authorizes the township to deposit and invest in the accounts of Federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or Federal agency obligation repurchase agreements; bankers' acceptance of United States banks; commercial paper rated by two standard rating agencies within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The township has adopted an investment policy that includes all of the above types of investments in accordance with the requirements of Public Act 20 of 1943, as amended. The township's deposits are in accordance with statutory authority. The township board has designated two banks for the deposit of township funds.

Governmental Accounting Standards Board (GASB) Statement No. 3 risk disclosures for the township's cash deposits are as follows:

	Governmental Activities	Fiduciary Funds	Total
Cash and Cash Equivalents	<u>\$ 420,613</u>	<u>\$ 29,487</u>	<u>\$ 450,100</u>
Total	<u><u>\$ 420,613</u></u>	<u><u>\$ 29,487</u></u>	<u><u>\$ 450,100</u></u>

The breakdown between deposits and investments is as follows:

Bank Deposits (Checking and Savings Accounts and Certificates of Deposit)	\$ 449,850
Petty Cash	<u>250</u>
Total	<u><u>\$ 450,100</u></u>

The bank balance of the primary government's deposits is \$480,566, of which \$129,802 is covered by Federal depository insurance.

# EVERETT TOWNSHIP--NEWAYGO COUNTY

## NOTES TO FINANCIAL STATEMENTS

### NOTE D--PROPERTY TAXES

The township property tax is levied on each December 1st on the taxable valuation of property located in the township as of the preceding December 31st. It is the township's policy to recognize revenues in the current year when the proceeds are budgeted and made available for the financing of township operations. Payment from the county for the 2004 delinquent taxes, which it purchased subsequent to March 31, is recorded as delinquent taxes receivable in the general and special revenue funds.

The 2004 taxable value of Everett Township amounted to \$33,970,351, on which ad valorem taxes of .8347 mills were levied for township operating purposes; 3.0 mills for street operations; 1.5 mills for fire protection; and .25 mills for cemetery operations.

The 2004 current tax levy raised \$28,355 for township operating; \$101,911 for street operations; \$50,956 for fire protection; and \$8,493 for cemetery operations. These taxes are recorded as revenue on township records in and for the fiscal year ended March 31, 2005 in the respective general and special revenue funds.

#### Taxes Receivable--Delinquent

The taxes receivable delinquent in the general and special revenue funds consist of uncollected real property taxes levied December 1, 2004, which have not been collected at March 31, 2005. The delinquent property taxes are as follows: General Fund, \$5,276; Municipal Street Fund, \$18,967; Fire Fund, \$9,483; and Cemetery Fund, \$1,579.

### NOTE E--INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The amounts of the interfund receivables and payables are as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
General	<u>\$ 1,223</u>	Park and Recreation	<u>\$ 1,223</u>
Total	<u><u>\$ 1,223</u></u>		<u><u>\$ 1,223</u></u>

The 2005 operating transfers can be summarized as follows:

	<u>Transfers In</u>		<u>Transfers (Out)</u>
Municipal Street	\$ 50,000	General	<u>\$ 80,000</u>
Park	20,000		
Non-Major	<u>10,000</u>		
Total	<u><u>\$ 80,000</u></u>		<u><u>\$ 80,000</u></u>

EVERETT TOWNSHIP--NEWAYGO COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE F--CAPITAL ASSETS

Capital asset activity of the primary government for the current year was as follows:

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital Assets Not Being Depreciated				
Land	\$ 51,272	\$ 51,500		\$ 102,772
Subtotal	51,272	51,500	\$ -	102,772
Capital Assets Being Depreciated				
Buildings	77,242	2,294		79,536
Computers	17,210			17,210
Equipment	12,031	106		12,137
Furnitures and Fixtures	23,156	252		23,408
Total	129,639	2,652	-	132,291
Less Accumulated Depreciation				
Buildings	18,038	2,519		20,557
Computers	8,122	2,942		11,064
Equipment	9,598	808		10,406
Furnitures and Fixtures	17,543	1,223		18,766
Total	53,301	7,492	-	60,793
Net Capital Assets Being Depreciated	76,338	(4,840)	-	71,498
Total Net Capital Assets	<u>\$ 127,610</u>	<u>\$ 46,660</u>	<u>\$ -</u>	<u>\$ 174,270</u>

The depreciation expense was \$7,492 during the year.



# EVERETT TOWNSHIP--NEWAYGO COUNTY

## NOTES TO FINANCIAL STATEMENTS

### NOTE F--CAPITAL ASSETS (Continued)

Depreciation expense was charged to programs as follows:

Governmental Activities	
General Government	\$ 7,025
Public Works	426
Recreational and Cultural	<u>41</u>
Total Governmental Activities	<u><u>\$ 7,492</u></u>

### NOTE G--DEFINED CONTRIBUTION PENSION PLAN

Everett Township provides pension benefits to the township board consisting of supervisor, clerk, treasurer, and two trustees through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. The township has executed an agreement with John Hancock Financial Services to provide a pension plan known as The John Hancock Financial Defined Contribution Plan for Governmental Employees. Under this plan, the township contributes 20% of employees gross earnings and the employees are not required to contribute to the plan. The township contributed \$3,958 for plan members during the fiscal year ended March 31, 2005, in accordance with these plan requirements.

### NOTE I--RISK MANAGEMENT

Everett Township is exposed to various risks of loss related to property loss, torts, and errors and omissions, and employee injuries (workers' compensation). The township participates in the Michigan Townships' Participating Plan for the following various policies: general liability, property, vehicle and fire. The township has insurance with the Accident Fund Company for workmens' compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three years.

The Michigan Township's Participating Plan operates as an insurance pool for local units of government in Michigan. The Plan purchases commercial insurance on behalf of its members at a lower cost than would be available on an individual basis.

EVERETT TOWNSHIP--NEWAYGO COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE J--CHANGE IN ACCOUNTING PRINCIPLE

Effective April 1, 2004, the township implemented several new accounting standards issued by GASB:

Statement No. 33, "Accounting and Financial Reporting for Non-Exchange Transactions," as amended by Statement No. 36, "Recipient Reporting for Certain Shared Non-Exchange Revenues," which establishes standards for recording nonexchange transactions on the modified accrual and accrual basis of accounting.

Statement No. 34, "Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments," as amended by Statement No. 37, "Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments Omnibus," which established new financial reporting standards for state and local governments. This statement requires a significant change in the financial reporting model used by local governments, eliminating account groups and utilizing the full accrual basis of accounting and the economic resources measurement focus. Another significant change is the "Management Discussion and Analysis Section," which provides an overall analysis of the financial position and results of operations and conditions that could have a significant effect on the financial position or results of operations.

Statement No. 38, "Certain Financial Statement Note Disclosures," which requires certain note disclosures when implementing GASB Statement No. 34. Also implemented was Interpretation No. 6, "Recognition and Measurement of Certain Liabilities and Expenditures," as of October 1, 2002.

**EVERETT TOWNSHIP--NEWAYGO COUNTY  
REQUIRED SUPPLEMENTAL INFORMATION  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
For the Year Ended March 31, 2005**

**EXHIBIT G**

	<b><u>BUDGETED AMOUNTS</u></b>			Variance With Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Taxes and Penalties	\$ 28,000	\$ 28,000	\$ 30,085	\$ 2,085
Licenses and Permits	400	400	175	(225)
State Grants	130,000	130,000	155,837	25,837
Charges for Services	-	-	4,880	4,880
Interest and Rentals	1,600	1,600	5,327	3,727
Other Revenue	-	-	37	37
Total Revenues	160,000	160,000	196,341	36,341
Expenditures				
Current				
General Government	104,100	107,291	91,046	16,245
Public Safety	750	3,290	2,176	1,114
Public Works	350	390	293	97
Community and Economic Development	25,000	28,034	18,874	9,160
Other	35,700	26,895	12,523	14,372
Capital Outlay	50,000	50,000	252	49,748
Total Expenditures	215,900	215,900	125,164	90,736
Excess of Revenues Over (Under) Expenditures	(55,900)	(55,900)	71,177	127,077
Other Financing Sources (Uses)				
Interfund Transfers (Out)	(80,000)	(80,000)	(80,000)	-
Total Other Financing Sources (Uses)	(80,000)	(80,000)	(80,000)	-
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(135,900)	(135,900)	(8,823)	127,077
Fund Balance--April 1, 2004	212,910	212,910	212,910	-
Fund Balance--March 31, 2005	\$ 77,010	\$ 77,010	\$204,087	\$127,077

**EVERETT TOWNSHIP--NEWAYGO COUNTY  
REQUIRED SUPPLEMENTAL INFORMATION  
BUDGETARY COMPARISON SCHEDULE  
MUNICIPAL STREET DEPARTMENT  
MAJOR SPECIAL REVENUE FUND  
For the Year Ended March 31, 2005**

**EXHIBIT H**

	<b>BUDGETED AMOUNTS</b>			Variance With
	Original	Final	Actual	Final Budget Positive (Negative)
Revenues				
Taxes	\$ 89,000	\$ 89,000	\$ 102,497	\$ 13,497
State Grants			2,662	2,662
Other	700	700		(700)
Total Revenues	89,700	89,700	105,159	15,459
Expenditures				
Public Works	101,220	101,220	51,303	49,917
Total Expenditures	101,220	101,220	51,303	49,917
Excess of Revenues Over (Under) Expenditures	(11,520)	(11,520)	53,856	65,376
Other Financing Sources (Uses)				
Interfund Transfers In	50,000	50,000	50,000	-
Total Other Financing Sources (Uses)	50,000	50,000	50,000	-
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	38,480	38,480	103,856	65,376
Fund Balance--April 1, 2004	67,745	67,745	67,745	-
Fund Balance--March 31, 2005	\$106,225	\$106,225	\$ 171,601	\$65,376

**EVERETT TOWNSHIP--NEWAYGO COUNTY**  
**REQUIRED SUPPLEMENTAL INFORMATION**  
**BUDGETARY COMPARISON SCHEDULE**  
**FIRE DEPARTMENT--MAJOR SPECIAL REVENUE FUND**  
**For the Year Ended March 31, 2005**

**EXHIBIT I**

	<b><u>BUDGETED AMOUNTS</u></b>			Variance With Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Taxes	\$ 44,600	\$44,600	\$ 51,245	\$ 6,645
Total Revenues	44,600	44,600	51,245	6,645
Expenditures				
Public Safety	44,600	44,600	51,245	(6,645)
Total Expenditures	44,600	44,600	51,245	(6,645)
Excess of Revenues Over (Under) Expenditures	-	-	-	-
Fund Balance--April 1, 2004	-	-	38	38
Fund Balance--March 31, 2005	\$ -	\$ -	\$ 38	\$ 38

**EVERETT TOWNSHIP--NEWAYGO COUNTY  
REQUIRED SUPPLEMENTAL INFORMATION  
BUDGETARY COMPARISON SCHEDULE  
PARKS AND RECREATION--MAJOR SPECIAL REVENUE FUND  
For the Year Ended March 31, 2005**

**EXHIBIT J**

	<b><u>BUDGETED AMOUNTS</u></b>			Variance With Final Budget Positive (Negative)
	<b><u>Original</u></b>	<b><u>Final</u></b>	<b><u>Actual</u></b>	
Revenues				
Charge for Services			\$ 1,727	\$ 1,727
Other			51,109	51,109
Total Revenues	<u>\$ -</u>	<u>\$ -</u>	<u>52,836</u>	<u>52,836</u>
Expenditures				
Recreational and Cultural	50,000	50,000	5,318	44,682
Capital Outlay			52,233	(52,233)
Total Expenditures	<u>50,000</u>	<u>50,000</u>	<u>57,551</u>	<u>(7,551)</u>
Excess of Revenues Over (Under) Expenditures	<u>(50,000)</u>	<u>(50,000)</u>	<u>(4,715)</u>	<u>45,285</u>
Other Financing Sources (Uses)				
Interfund Transfers In	20,000	20,000	20,000	-
Total Other Financing Sources (Uses)	<u>20,000</u>	<u>20,000</u>	<u>20,000</u>	<u>-</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>(30,000)</u>	<u>(30,000)</u>	<u>15,285</u>	<u>45,285</u>
Fund Balance--April 1, 2004	<u>35,604</u>	<u>35,604</u>	<u>35,604</u>	<u>-</u>
Fund Balance--March 31, 2005	<u>\$ 5,604</u>	<u>\$ 5,604</u>	<u>\$50,889</u>	<u>\$45,285</u>

**EVERETT TOWNSHIP--NEWAYGO COUNTY**  
**COMBINING BALANCE SHEET**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**MARCH 31, 2005**

**EXHIBIT K**

	Cemetery	Transfer Station	Total
<b><u>ASSETS</u></b>			
Cash and Cash Equivalent	\$ 6	\$11,808	\$11,814
Delinquent Taxes Receivable	1,579		1,579
Prepaid Expenses		429	429
	<hr/>		
Total Assets	\$1,585	\$12,237	\$13,822
<hr/>			
<b><u>LIABILITIES AND FUND EQUITY</u></b>			
Liabilities			
Due to Other Townships	\$1,579		\$ 1,579
Accrued Liabilities		\$ 55	55
	<hr/>		
Total Liabilities	1,579	55	1,634
<hr/>			
Fund Equity			
Fund Balance	6	12,182	12,188
	<hr/>		
Total Fund Equity	6	12,182	12,188
<hr/>			
Total Liabilities and Fund Equity	\$1,585	\$12,237	\$13,822

**EVERETT TOWNSHIP--NEWAYGO COUNTY**  
**COMBINING STATEMENT OF REVENUES,**  
**EXPENDITURES AND CHANGES IN FUND BALANCE**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**For the Fiscal Year Ended March 31, 2005**

**EXHIBIT L**

	Cemetery	Transfer Station	Total
Revenues			
Property Taxes	\$ 8,535		\$ 8,535
Charges for Services		\$13,823	13,823
Total Revenue	8,535	13,823	22,358
Expenditures			
General Government	8,535		8,535
Public Works		20,486	20,486
Capital Outlay		1,667	1,667
Total Expenditures	8,535	22,153	30,688
Excess of Revenues Over (Under) Expenditures	-	(8,330)	(8,330)
Other Financing Sources (Uses)			
Transfers In		10,000	10,000
Total Other Financing Sources (Uses)	-	10,000	10,000
Excess of Revenues and Other Sources Over (Under) Exenditures	-	1,670	1,670
Fund Balance--April 1, 2004	6	10,512	10,518
Fund Balance--March 31, 2005	\$ 6	\$12,182	\$12,188



**EVERETT TOWNSHIP--NEWAYGO COUNTY**  
**SCHEDULE OF REVENUES AND OTHER SOURCES**  
**BUDGET TO ACTUAL--GENERAL FUND**  
**For the Year Ended March 31, 2005**

**EXHIBIT M**

	Original Budget	Final Amended Budget	Actual	Variance Favorable (Unfavorable)
<b><u>REVENUES</u></b>				
Property Taxes				
Current Property Taxes	\$ 27,000	\$ 27,000	\$ 22,883	\$ (4,117)
Delinquent Real Taxes	-	-	5,276	5,276
Delinquent Personal Taxes	-	-	4	4
National Forest Reserve Tax	1,000	1,000	1,573	573
Industrial Facilities Tax	-	-	349	349
Total Property Taxes	28,000	28,000	30,085	2,085
Licenses and Permits				
Franchise Fees	400	400	175	(225)
Total Licenses and Permits	400	400	175	(225)
State Grants				
Revenue Sharing	130,000	130,000	155,837	25,837
Total State Grants	130,000	130,000	155,837	25,837
Charge for Services				
Planning Commission Fees	-	-	275	275
Land Split	-	-	700	700
Summer Tax Collection	-	-	3,783	3,783
Other Charges for Services	-	-	122	122
Total Charge for Services	-	-	4,880	4,880
Interest and Rentals				
Interest	1,600	1,600	2,375	775
Rent	-	-	2,952	2,952
Total Interest and Rentals	1,600	1,600	5,327	3,727
Other Revenue				
Other	-	-	37	37
Total Other Revenue	-	-	37	37
Total Revenue	\$160,000	\$160,000	\$196,341	\$36,341

**EVERETT TOWNSHIP--NEWAYGO COUNTY**  
**SCHEDULE OF EXPENDITURES**  
**BUDGET AND ACTUAL--GENERAL FUND**  
**For the Year Ended March 31, 2005**

**EXHIBIT N**

	Original Budget	Final Amended Budget	Actual	Variance Favorable (Unfavorable)
General Government				
Township Board	\$ 7,000	\$ 7,499	\$ 7,360	\$ 139
General Expenses	3,000	4,100	4,076	24
Supervisor	15,000	15,313	15,143	170
Elections	3,500	3,641	3,582	59
Audit	2,500	2,500	-	2,500
Assessor	14,000	14,000	13,612	388
Attorney Fees	7,000	7,000	1,620	5,380
Clerk	22,000	22,570	21,549	1,021
Board of Review	1,400	1,470	1,091	379
Treasurer	16,200	16,506	15,795	711
Data Processing	3,000	3,000	2,092	908
Building and Grounds	9,500	9,692	5,126	4,566
Total General Government	104,100	107,291	91,046	16,245
Public Safety				
Fire Prevention	750	790	788	2
Ordinance Enforcement	-	2,500	1,388	1,112
Total Public Safety	750	3,290	2,176	1,114
Public Works				
Drain-at-Large Assessments	100	100	7	93
Street Lights	250	290	286	4
Total Public Works	350	390	293	97
Community and Economic Development				
Zoning Administrator	9,750	10,502	10,723	(221)
Planning Commission	13,250	13,939	6,589	7,350
Zoning Board of Appeals	2,000	2,093	62	2,031
Community Development	-	1,500	1,500	-
Total Community and Economic Development	25,000	28,034	18,874	9,160
Other				
Employer's Share of Withholdings	3,450	110	-	110
Workers Compensation	643	643	643	-
Pension	3,958	3,958	3,958	-
Insurance and Bonds	7,649	7,949	7,922	27
Contingencies	20,000	14,235	-	14,235
Total Other	35,700	26,895	12,523	14,372
Capital Outlay	50,000	50,000	252	49,748
Total Capital Outlay	50,000	50,000	252	49,748
Other Financing Sources				
Operating Transfers (Out)				
Municipal Street	50,000	50,000	50,000	-
Park	20,000	20,000	20,000	-
Transfer Station	10,000	10,000	10,000	-
Total Other Financing Source	80,000	80,000	80,000	-
Total Expenditures and Other Financing Uses	\$295,900	\$295,900	\$205,164	\$ 90,736

**EVERETT TOWNSHIP--NEWAYGO COUNTY**  
**COMBINING STATEMENT OF FIDUCIARY NET ASSETS**  
**AGENCY FUNDS**  
**March 31, 2005**

**EXHIBIT O**

	<b>AGENCY FUND</b>		<b>PENSION TRUST FUND</b>	
	Trust and Agency	Tax Collection	Pension Trust	Total
<b><u>ASSETS</u></b>				
Assets				
Cash	\$ 3,287		\$26,200	\$29,487
Total Assets	\$ 3,287	\$ -	\$26,200	\$29,487
<b><u>LIABILITIES AND FUND BALANCE</u></b>				
Liabilities				
Due to State of Michigan	\$ 3,287			\$ 3,287
Total Liabilities	3,287	\$ -	\$ -	3,287
Fund Equity				
Reserved for Retirement Benefits			26,200	26,200
Total Fund Equity	-	-	26,200	26,200
Total Liabilities and Fund Equity	\$ 3,287	\$ -	\$26,200	\$29,487

**EVERETT TOWNSHIP--NEWAYGO COUNTY**  
**COMBINING STATEMENT OF CHANGES IN ASSETS**  
**AND LIABILITIES--AGENCY FUNDS**  
**For the Year Ended March 31, 2005**

**EXHIBIT P**

	Balance 04/01/04	Additions	Deductions	Balance 03/31/05
<b><u>TRUST AND AGENCY FUND</u></b>				
Assets				
Cash	\$ 3,278	\$ 11,805	\$ 11,796	\$3,287
Total Assets	\$ 3,278	\$ 11,805	\$ 11,796	\$3,287
Liabilities				
Due to County	\$ 35		\$ 35	-
Due to State of Michigan	3,048	\$ 2,742	2,503	\$3,287
Due to Other Units of Government	7	9,063	9,070	-
Due to Schools	160		160	-
Due to Other Funds	28		28	-
Total Liabilities	\$ 3,278	\$ 11,805	\$ 11,796	\$3,287
<b><u>TAX COLLECTION FUND</u></b>				
Assets				
Cash	\$11,117	\$1,180,149	\$1,191,266	-
Total Assets	\$11,117	\$1,180,149	\$1,191,266	\$ -
Liabilities				
Due to County		\$ 308,437	\$ 308,437	-
Due to State of Michigan	\$ 8,106	67,041	75,147	-
Due to Schools and Colleges	2,880	556,721	559,601	-
Due to Other Units of Government		87,202	87,202	-
Due to Other Funds	131	159,429	159,560	-
Tax Overpayments		1,319	1,319	-
Total Liabilities	\$11,117	\$1,180,149	\$1,191,266	\$ -



JENNIFER M. GRANHOLM  
GOVERNOR

STATE OF MICHIGAN  
DEPARTMENT OF TREASURY  
LANSING

JAY B. RISING  
STATE TREASURER

July 13, 2005

Township Board  
Everett Township  
Newaygo County  
P.O. Box 979  
White Cloud, Michigan 49349

RE: Report on Compliance and on Internal Control over Financial Reporting  
Based on an Audit of Financial Statements Performed in Accordance With  
Government Auditing Standards

Dear Board Members:

We have audited the financial statements of Everett Township, Newaygo County, Michigan, as of and for the year ended March 31, 2005, and have issued our report thereon dated July 13, 2005.

The township adopted the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 33, "Accounting and Financial Reporting for Nonexchange Transactions," as amended by GASB Statement No. 36, "Recipient Reporting for Certain Shared Nonexchange Revenues;" GASB Statement No. 34, "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments," as amended by GASB Statement No. 37, "Basic Financial Statements and Management's Discussion and Analysis," and GASB Statement No. 38, "Certain Financial Statement Note Disclosures;" and Interpretation No. 6, "Recognition and Measurement of Certain Liabilities and Expenditures," as of April 1, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance--As part of obtaining reasonable assurance about whether Everett Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, and noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards, however, we did note other instances of noncompliance described in the accompanying comments and recommendations.

Internal Control Over Financial Reporting--In planning and performing our audit, we considered Everett Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Everett Township's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying comments and recommendations report.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. We consider all of the reportable conditions described above to be material weaknesses.

This report is intended solely for the information and use of the management, the board of commissioners, Federal awarding agencies, and State and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.



Cary Jay Vaughn, CPA, CGFM  
Audit Manager  
Local Audit and Finance Division

## EVERETT TOWNSHIP--NEWAYGO COUNTY

### COMMENTS AND RECOMMENDATIONS

#### MATERIAL INTERNAL CONTROL WEAKNESSES

Our study and evaluation of internal control disclosed the following conditions that we believe to be material weaknesses:

##### Reconciliation of the Bank Statements

*Finding 05-01*

*Condition:* While the checking account was reconciled by the treasurer in a timely manner, the bank balances were not compared to the general ledger on a timely basis. Also, the balance of the certificates of deposits in the bank did not agree with the amount posted in the general ledger.

*Criteria:* According to the Uniform Accounting Procedures Manual, all bank accounts must be reconciled to the local unit accounting records monthly. The clerk's records must agree with or reconcile to the treasurer's and the bank's records.

*Recommendation:* We recommend that the township establish monthly procedures to assure that all transactions are posted properly and the book balance is in balance with the respective bank accounts.

##### Administrative Approval of Disbursements

*Finding 05-02*

*Condition:* The township clerk and a trustee reviews invoices, however, not all invoices indicated administrative approval.

*Criteria:* According to the Uniform Accounting Procedures Manual issued by the Michigan Department of Treasury, all invoices should contain administrative approval to provide accountability that the invoice has been reviewed.

*Recommendation:* We recommend that all invoices of the township contain administrative approval.

##### Delinquent Taxes Receivable

*Finding 05-03*

*Condition:* The township clerk created and entered a journal entry for delinquent taxes from her own calculations, instead of the tax settlement sheet from the county.

*Criteria:* According to the Uniform Accounting Procedures Manual issued by the Michigan Department of Treasury, each journal entry must contain adequate explanation and supporting documentation. The supporting documentation for the delinquent taxes should be obtained directly from the delinquent tax settlement sheet obtained from the county treasurer.

*Recommendation:* We recommend that the clerk utilizes the tax settlement sheet from the county to record delinquent taxes.

## EVERETT TOWNSHIP--NEWAYGO COUNTY

### COMMENTS AND RECOMMENDATIONS

#### MATERIAL INTERNAL CONTROL WEAKNESSES (Continued)

##### Payments to the State for Payroll Withholdings

*Finding 05-04*

*Condition:* The township currently has a balance of \$2,656 in its Trust and Agency checking account related to unpaid State payroll withholdings from years prior to January 1, 2000.

*Criteria:* State taxes withheld as a payroll deductions are to be paid to the State in a timely manner.

*Recommendation:* We recommend that the township investigate the balance due to determine if the amounts have been paid or are still owing. If still owing, the township should contact the Michigan Department of Treasury, Sales Use and Withholding Division, to determine what action needs to be taken. This is especially important to avoid any additional penalties and interest that may be charged. The State Tax Withholding account in the Trust and Agency Fund should be reconciled monthly to ensure that the taxes are paid and charged against the proper account.

#### STATUTORY NONCOMPLIANCE

##### Unlawful Expenditure

*Finding 05-05*

*Condition:* Everett Township donated \$500 to the White Cloud Sports Boosters.

*Criteria:* According to the Opinion of the Attorney General, 1957, No. 3066, page 476, city funds (or any local unit funds) may not be used for contributing to the expenses of private voluntary groups operating recreation facilities for children.

*Directive:* We direct the township to discontinue the practice of donating township funds to private organizations for which there are no contractual services received.

##### Excess Expenditures Over Appropriations

*Finding 05-06*

*Condition:* Our examination of procedures used by the township to adopt and maintain operating budgets for the township's budgetary funds revealed the following instances of noncompliance with the provisions of Public Act 2 of 1968, as amended, the Uniform Budgeting and Accounting Act.

The township's General Appropriations Act (budget) provided for expenditures of the General Fund and special revenue funds to be controlled to the activity level by the township. As detailed below, actual 2004-2005 expenditures exceeded the board's approved budget allocations for several general fund and special revenue fund activities.



EVERETT TOWNSHIP--NEWAYGO COUNTY

COMMENTS AND RECOMMENDATIONS

STATUTORY NONCOMPLIANCE (Continued)

During the fiscal year ended March 31, 2005, expenditures were incurred in excess of amounts appropriated in the amended budgets for the general fund and special revenue funds as follows:

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
General			
Zoning Administrator	\$ 10,502	\$ 10,723	\$ (221)
Fire			
Public Safety	44,600	51,245	(6,645)
Parks and Recreation			
Capital Outlay		52,233	(52,233)
Cemetery			
General Government	7,400	8,535	(1,135)

*Criteria:* The expenditures of funds in excess of appropriations are contrary to the provisions of Public Act 2 of 1968, Section 17.

*Directive:* We direct the township to develop budgetary control procedures, which will ensure that expenditures will not exceed amounts authorized in the General Appropriations Act or amendments thereof.

Interlocal Agreement With Big Prairie Township for the Joint Cemetery

*Finding 05-07*

*Condition:* The township currently has an agreement with Big Prairie Township for a joint cemetery, however, there is no interlocal agreement.

*Criteria:* According to the Urban Cooperation Act of 1967, Section 124.505, when a joint exercise of power is entered into, it shall be made by contract or contracts in the form of an interlocal agreement which may provide for the purpose of the interlocal agreement. This section also outlines the requirements and considerations for establishing the interlocal agreement.

*Directive:* We direct Everett Township's Board and Big Prairie Township's Board to establish an interlocal agreement in regards to the cemetery under the provision of the Urban Cooperation Act of 1967, Section 124.505.

## EVERETT TOWNSHIP--NEWAYGO COUNTY

### COMMENTS AND RECOMMENDATIONS

#### STATUTORY NONCOMPLIANCE (Continued)

##### Electronic Transactions of Public Funds

*Finding 05-08*

*Condition:* Everett Township electronically transfers funds for payroll withholdings.

*Criteria:* According to MCL 124.303: “A local unit shall not be a party to an ACH arrangement unless the governing body of the local unit has adopted a resolution to authorize electronic transactions and the treasurer or the ETO of the local unit has presented a written ACH policy to the governing body. The ACH policy shall include all of the following:

- (a) That an officer or employee designated by the treasurer or ETO is responsible for the local unit's ACH agreements, including payment approval, accounting, reporting, and generally for overseeing compliance with the ACH policy.
- (b) That the officer or employee responsible for disbursement of funds shall submit to the local unit documentation detailing the goods or services purchased, the cost of the goods or services, the date of the payment, and the department levels serviced by the payment. This report can be contained in the electronic general ledger software system of the local unit or in a separate report to the governing body of the local unit.
- (c) A system of internal accounting controls to monitor the use of ACH transactions made by the local unit.
- (d) The approval of ACH invoices before payment.
- (e) Any other matters the treasurer or ETO considers necessary.”

*Directive:* We direct the township to adopt a resolution to authorize electronic transactions and a policy be adopted that includes the above mentioned items.

##### Unlawful Loan of Township Funds

*Finding 05-09*

*Condition:* In August 2004, the township paid the township clerk the wages earned as the Chain of Lakes Area Utility Authority (COLA) deputy treasurer as COLA did not have the funds available to pay the wages. No formal agreement was made between COLA and the township to provide for the covering of COLA's expenses. The amount that was paid for the wages did not include any withholdings of State or Federal taxes.

*Criteria:* According to Constitutional provisions, Michigan Constitution of 1963, Art. 7, Sec. 26: “Except as otherwise provided in this constitution, no city or village (or any local unit of government) shall have the power to loan its credit for any private purpose or, except as provided by law, for any public purpose. Also, Circular E of the Internal Revenue Code states the employee tax rate for social security is 6.2% and the employee tax rate for Medicare is 1.45%. There are no withholding allowances for social security and Medicare taxes made from the payment in question.

*Directive:* We direct the township to discontinue the practice of covering the expenses of another local unit unless specifically approved in the agreement between the local units comprising COLA.